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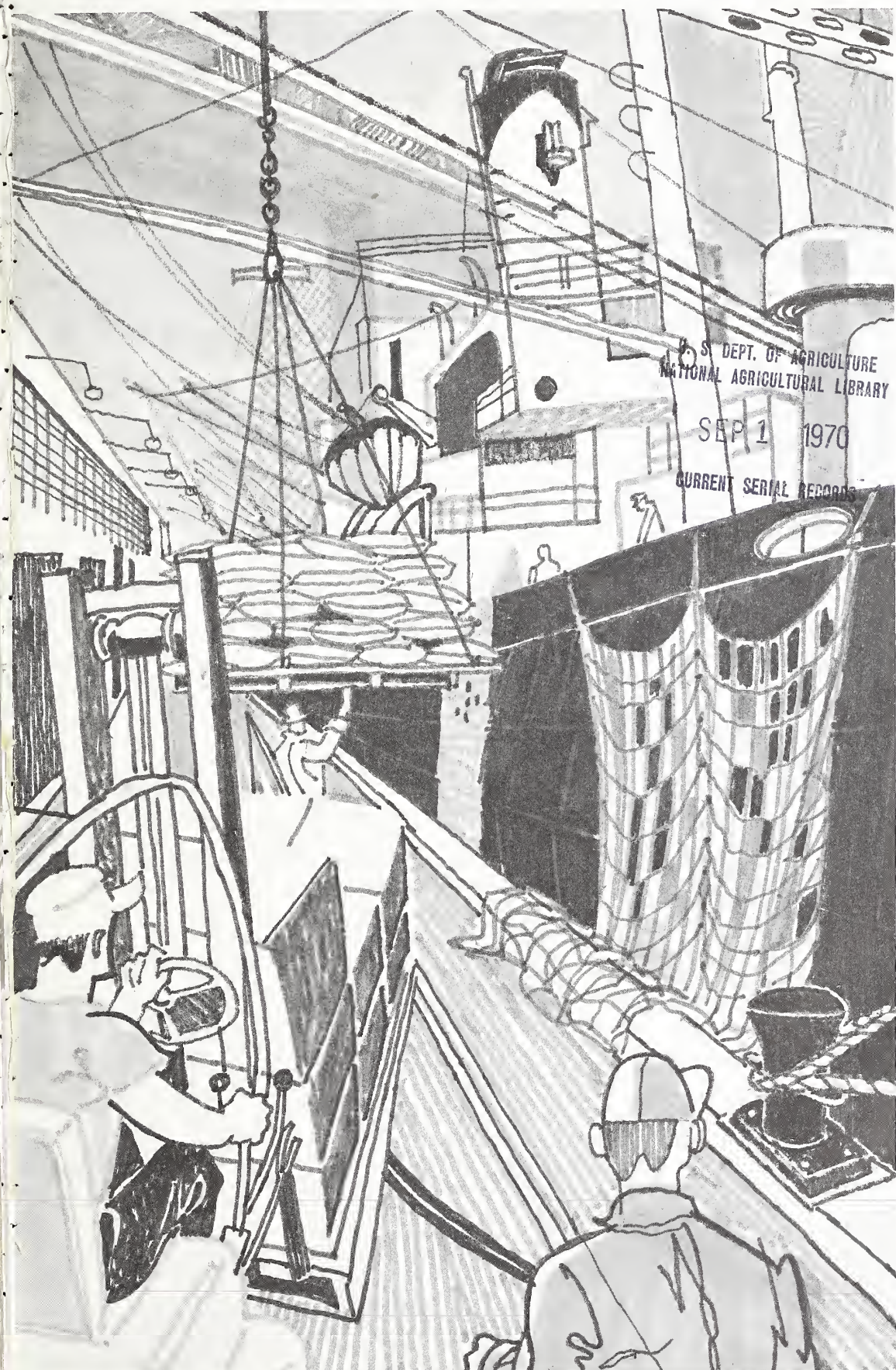
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FOREIGN AGRICULTURE



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U.S. FARM
EXPORTS TOP
\$6.6 BILLION

Foreign
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In this issue:

- 2 Dollar Exports of U.S. Farm Items Hit Record High
By Dewain H. Rahe
- 5 U.S. Official Analyzes Factors in Further U.S. Farm Export Gains
- 6 How EC Grain Policy Affects the U.S. Feed-grain Market in the Netherlands
By Brice K. Meeker
- 8 Turkish Tobacco: Some New Sales Twists and Turns
Sierra Leone: Top Farm Exports Drop
- 9 Japanese Baking Industry Executives Study Technology And Management at Jointly Sponsored Chicago Seminar
- 10 Crops and Markets Shorts

This week's cover:

Record commercial sales for dollars of U.S. agricultural exports in fiscal year 1970 pushed total agricultural exports past the \$6.6 billion mark—the third best showing to date and a sharp rebound from last year's total of \$5.7 billion. For the full story see article beginning this page.

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Dollar Exports Of U.S. Farm Items Hit Record High

By DEWAIN H. RAHE

*Foreign Development and Trade Division
Economic Research Service*

Dollar sales of U.S. agricultural exports set a new record of \$5.6 billion in fiscal 1970. This total is a sharp rebound from the \$4.7-billion dollar sales during fiscal 1969 and slightly above the previous record of \$5.5 billion in fiscal 1967. Substantial increases were registered for soybeans and soybean products, grains, tobacco, fruits, vegetables, and certain animal products.

The high dollar sales pushed total agricultural exports past \$6.6 billion—their third best showing to date and a substantial increase over last year's \$5.7 billion total.

Principal commodity advances came in soybeans, soybean products, and feedgrains, which together contributed over two-thirds of the overall gain. Other gains were noted for wheat, rice, fruits, vegetables, nuts, tobacco, hides and skins, lard, tallow, cottonseed oil, and variety meats.

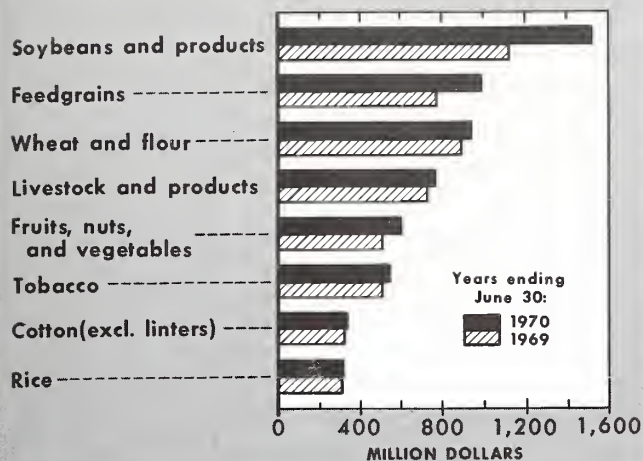
The output of 57 million acres of U.S. cropland, or one-fifth of the total, moved into the export market in 1969-70. The overseas market provided an outlet for about half of the production of wheat and rice; about two-fifths of the soybeans, cattle hides, hops, and tallow; about one-fourth of the cotton; and one-sixth of the farm sales of corn.

Japan heads top customers

Agricultural exports to Japan reached a record value of \$1.1 billion in fiscal 1970—the first time a single market has taken more than a billion dollars worth of U.S. farm products in a year. Sharply larger shipments of soybeans, feedgrains, wheat, and tobacco went to Japan. Its advancing business activity spurred the demand for foods and agricultural products, especially raw materials used for livestock feeding or industrial processing. Japan's gross national product expanded 13.5 percent in its 1970 fiscal year. In addition, Japanese exports rose 25 percent while imports gained only 16 percent. Overall, Japan's exports exceeded imports by about \$4 billion. It had a favorable trade balance with the United States of more than \$1 billion.

U.S. exports to the European Community (EC) climbed 6 percent because of increased exports of nonvariable-levy items. These exports totaled \$1 billion, 15 percent ahead of the previous year. Soybeans recorded the biggest advance. Other

MAJOR U.S. FARM ITEMS EXPORTED



gainers included hides and skins, fruits, vegetables, nut, cottonseed oil, and variety meats. Cotton exports, on the other hand, declined to 150,000 bales in 1969-70 from 242,000 bales a year earlier.

While total U.S. exports to the EC showed a gain, shipments of those commodities affected by the Community's protective system of variable levies were substantially lower. Exports under variable levies declined to \$356 million in 1969-70 from \$407 million. Sales of feedgrains and wheat were down 8 and 44 percent, respectively. Rice shipments were valued at \$32 million—about one-sixth larger than a year earlier.

Exports to the United Kingdom advanced in the past year to \$406 million. Soybeans accounted for a large share of this, but exports of tobacco and feedgrains were also up. In other country markets, exports increased sharply to Spain, Denmark, Sweden, and Ireland. U.S. exports to the developing countries in 1969-70 totaled \$2.2 billion, up 12 percent. Most important, this gain occurred in dollar sales.

Livestock, dairy, and poultry exports

U.S. exports of *animals and animal products* rose 4 percent to \$773 million. The gain was accounted for by sharp advances in exports of inedible tallow, hides and skins, and lard. Exports of meat, poultry, and dairy products were all below those of a year earlier. Dairy products reflected sharply reduced shipments under government-financed programs.

Exports of animal fats and oils totaled \$213 million. Higher prices accounted for this one-third gain over 1968-69. Prices of inedible tallow, buoyed by the reduced world supply of oilseeds and vegetable oils, exceeded the 6-cent-per-pound average for 1968-69 by over 2 cents. The principal markets for tallow were Japan, India, Spain, the EC, the United Kingdom, Mexico, Turkey, Korea, Taiwan, Pakistan, and Ghana. Advanced countries use tallow in feed products while the developing countries use it primarily for making soap.

Lard exports, mainly to Western Europe, advanced to 302 million pounds in 1969-70, from 209 million pounds in 1968-69. The United Kingdom—the largest market for U.S. lard—purchased 207 million pounds in 1969-70. Other principal markets were Mexico, Canada, and Korea. The U.S. subsidy

U.S. FARM EXPORTS TURN UPWARD WITH RECORD COMMERCIAL SALES



program, developed to meet the EC lard subsidy, improved the U.S. competitive position in the United Kingdom in 1969-70. Exports of U.S. hides and skins advanced to \$157 million in 1969-70 from \$136 million in 1968-69. Abundant supplies and attractive prices of U.S. hides spurred sales to Italy, Japan, and Eastern Europe.

U.S. exports of dairy products, totaling \$109 million, were 29 percent below the level of a year earlier. Exports of anhydrous milk fat were down sharply in 1969-70, and shipments of other dairy products—condensed and evaporated milk, nonfat dry milk, and butter—were also smaller.

Exports of meats and meat products, valued at \$140 million, were down slightly from the 1968-69 level. Quantity dropped more than value as higher domestic prices for pork and beef discouraged exports. Pork shipments totaled only 82 million pounds in 1969-70, compared with 154 million

in 1968-69. Canadian and Japanese pork purchases were down by 38 million and 23 million pounds, respectively. Increased production abroad accounted for part of the decline in U.S. shipments of meats and meat products. Variety meat exports totaled 241 million pounds—compared with 227 million in 1968-69—mainly reflecting larger takings in the Western European market of 1969-70.

Exports of poultry products totaled \$55 million in 1969-70, down slightly from the year earlier. The decline occurred mostly for poultry meat, including chickens and turkeys. The EC's high variable levies virtually eliminated the United States from the Community's important markets. Subsidization of poultry exports by the EC and Denmark strongly discouraged U.S. competition in other European markets.

Gains for cotton, fruit, and nuts

U.S. exports of *cotton* gained 2 percent to total 2.86 million bales in 1969-70. Sales under government-financed programs accounted for the increase. India's purchases of 339,000 bales, compared with only 67,000 bales in 1968-69, accounted for most of the gain, and Japan's purchases were 10 percent ahead of a year earlier. Canada also purchased more cotton from the United States, reflecting a shift from USSR and Mexican sources. On the other hand, purchases by Western Europe declined sharply because of limited supplies available for export in the United States, increased competition from developing countries, and rapidly expanding European production of manmade fibers. Manmade fibers accounted for about one-half of the overall fiber use in the EC in 1969-70.

Exports of *fruits and fruit preparations* rose to \$341 million in 1969-70, 17 percent above the 1968-69 total, due mainly to sharply improved U.S. production in 1969. The orange crop gained 45 percent, and the peach crop in California was up about 5 percent. Larger sales were made to Canada, Western Europe, and Japan. Orange exports rose to \$53 million from \$46 million, while canned peach exports, at \$27 million, were more than double the year-earlier level. Gains also occurred for apples, cherries, grapes, grapefruits, fruit cocktail, and pears.

Exports of *nuts and nut preparations* showed a phenomenal increase in 1969-70. Their total value was \$60 million, or more than double the figure recorded in 1968-69. The value of almonds shipped rose to \$41 million from \$12 million in 1968-69. Principal markets were Canada, Japan, West Germany, Switzerland, France, Sweden, Norway, and the United Kingdom. U.S. production of almonds gained significantly in 1969-70. Mechanical harvesting of U.S. almonds has reduced production costs and permitted the United States to regain its competitive position in international trade.

Grain exports advance

Exports of *grain and grain preparations* advanced to \$2,348 million in 1969-70, up 13 percent from 1968-69. Feedgrain exports—up \$220 million—accounted for a large portion of the gain. Buying 6.4 million tons of U.S. feedgrains in 1969-70, compared with 4.5 million tons in 1968-69, Japan provided most of the gain in the U.S. feedgrain market. Decisive factors were Japan's expanded livestock production and smaller grain shipments from South Africa. Broiler production in Japan increased 18 percent, dairy production 12 percent, and beef and veal production 8 percent.

Aside from Japan, shipments of grains and grain preparations were up to Spain, Israel, Mexico, East Germany, Greece,

India, and the United Kingdom. However, exports to the EC fell to 4.7 million tons from 5.5 million in 1968-69. Continued high price supports encouraged feedgrain production in the European Community; and the high variable levies isolate this market from foreign competition including the United States.

U.S. corn exports advanced to 616 million bushels—109 million ahead of the previous year. Grain sorghum exports of 119 million bushels were up 13 million bushels, and barley exports of 15 million bushels were up slightly. U.S. feedgrain exports improved despite a 43-percent rise in Argentine corn production in 1969-70, to 9.4 million tons. Argentina's grain sorghum production also was up sharply.

U.S. exports of wheat and flour rose to 596 million bushels in 1969-70 from 532 million in 1968-69. Sales of 88 million bushels to Japan were 20 million bushels above a year earlier. Other purchasers taking more U.S. wheat included Colombia, Turkey, Switzerland, Venezuela, Brazil, India, and Nigeria. EC purchases in 1969-70, reflecting a substantial gain in its wheat production, were about half the level of a year earlier. The export value of wheat averaged only \$1.57 a bushel in 1969-70, compared with \$1.67 a bushel in 1968-69. The decline reflects the large world supplies which led to suspension of the International Grain Arrangement last year.

U.S. exports of rice totaled 38.3 million bags in 1969-70, up a bit from 1968-69. The gain occurred mainly in shipments to developing countries. Larger exports to Indonesia, South Vietnam, and other Asian countries moved primarily under government programs. South Korea took only 2.6 million bags in 1969-70, compared with 9.2 million in 1968-69. However, sales for dollars were especially heavy early in the year. Exports to the EC totaled 3.2 million bags in 1969-70, up one-sixth from a year earlier.

Many other farm exports up

U.S. exports of *oilseeds and oilseed products* advanced to a record \$1.7 billion—sharply above the \$1.2 billion in 1968-69. The increase was accounted for by soybeans and soybean products. Exports of soybeans totaled 405 million bushels in 1969-70, up two-fifths from 1968-69. The EC, Spain, the United Kingdom, Japan, Taiwan, Canada, Israel, and Poland sharply increased their buying. The European Community took 138 million bushels of soybeans this fiscal year compared with 101 million in 1968-69. Japan, the top country market for U.S. soybeans, took 95 million bushels against 70 million in 1968-69. Decisive factors spurring the heavy demand for U.S. soybeans were reduced fishmeal production in Peru, lower sunflower oil output in the Soviet Union, high grain prices in the EC, more competitive export prices of U.S. soybeans as a result of lower U.S. Government support levels, and increased livestock production in both the EC and Japan.

Exports of cottonseed and soybean oil advanced to 1.6 billion pounds in 1969-70, from only 1 billion pounds in 1968-69. Government-financed programs largely accounted for these shipments. However, a considerable quantity represented commercial sales for dollars. The value of soybean oil averaged 12 cents a pound in 1969-70, compared with 10 cents in 1968-69.

U.S. exports of *tobacco* totaled 571 million pounds in fiscal 1970—the same as the previous year. However, high average prices resulting from a larger proportion of stemmed tobacco and the high quality of the 1969 flue-cured crop boosted the value by almost 7 percent. Exports to the United Kingdom,

(Continued on page 12)

Factors in Further U.S. Farm Export Gains

Agriculture is the Nation's largest industry. It employs more people than the auto industry, the steel industry, the transportation industry, and the utilities combined. It is a \$55-billion customer in the American economy.

That is why everyone—not only the farmer—has a stake in our agricultural exports. Every segment of the economy benefits from liberalized agricultural trade.

U.S. agricultural exports reached a record \$6.8 billion in fiscal 1967 and in fiscal 1970 were \$6.64 billion. This is a respectable total, but it is still below what we could and should be selling to the rest of the world.

Many factors are at work, but basic to our export position is the fact that agricultural production outside the United States has increased in recent years. Some of this increase has come from generally favorable weather worldwide and from improved varieties and technology, particularly in the developing countries of the Far East. We can't control the weather, and we foresee expanding economies based on a sound agriculture in developing countries as offering potential markets to an efficient American agriculture over the long term.

But some of the production increase of the past few years has been distorted upward by unreasonable barriers raised to protect agricultural systems based on excessively high guaranteed prices. These protectionist systems hurt our exports in several ways.

The European Community (EC), or Common Market, is our largest dollar customer overseas, taking \$1.3 billion worth of agricultural products from us in 1969. That represents 22 percent of our exports to all destinations, but also a decline from the peak of \$1.6 billion in 1966.

EC policy insulates domestic markets

The farm policies of the Community have hurt our exports. The Community makes heavy use of variable levies on imports to protect its high guaranteed price for grain within the Community. The effect is to kill competition by insulating the domestic market from world prices.

For example: French corn, delivered in Cologne, Germany, sells for about \$105 a metric ton. Corn from the United States can be delivered in Cologne for a little over \$67 a ton. However, the price advantage for U.S. corn is nullified, because the importer is required to pay a variable levy of over \$38 a ton on U.S. corn. This puts the total price of U.S. corn at about \$105 a ton, the same as French corn. This is what the variable levy is designed to do—equalize the spread between the high guaranteed Community prices and lower prices offered by efficient producers of other countries.

In this situation, freed from the influence of supply on the market and with no production restraints, it is natural that Community farmers are trying to produce as much as they can to get the maximum benefit from the high, protected prices of the Community agricultural policy.

They are doing a pretty good job of it, to the detriment of

U.S. agricultural exports. Community production of coarse grains has increased 5.7 million tons in the past 3 years, permitting a reduction in imports of efficiently produced feedgrains of about 3.4 million metric tons. Most of this cut has been borne by the United States.

And it doesn't stop there. When surpluses pile up under the impact of high guaranteed prices, the Community subsidizes their export, undercutting prices in markets in which the United States, as an efficient producer, has traditionally sold and expects to continue to sell.

Pressures for a change in the Community's common agricultural policy are developing among major exporting countries that are being hurt by the trade distortions caused by these policies, and there are indications that these outside opinions are receiving increasing consideration in Community headquarters and in the capitals of member countries. However, at present, the Community shows no inclination to change.

Opinion within the U.S. Government is unanimous on the need for reform of Community farm and trade policies, and these opinions have been pressed through international forums as well as in meetings with Community officials.

Other markets

Our trading problems, of course, are not confined to those with the Community. Import inequities exist in trading nations throughout the world. Japan, for example, has many import quotas and restrictions that we feel are unnecessary.

But the export picture is not all dark. There are bright spots, and certainly one of them is the upswing in agricultural exports for fiscal 1970. The year also was one in which American agriculture gained its first billion-dollar single-country customer—Japan. U.S. farm exports to Japan were almost \$1.1 billion.

Two things about the Japanese market have basic implications for the future of American agricultural exports. First, per capita income is rapidly rising in Japan, and with it standards of living. Gross national product last year, in real terms, increased by 13.5 percent. The Japanese—as people everywhere when income rises—want more and better food, and in their case, more and better food than their domestic agriculture can supply. Second, the United States had good access to Japan for the commodities that were leading Japanese imports.

Feedgrains, the basis for Japan's expanding livestock and poultry industries, are a good example. Corn and sorghum enter without restriction, and duty free when used as animal feed in these expanding industries.

Last year, while U.S. shipments of feedgrains to the European Community were dropping by an estimated 1.2 million metric tons under the impact of variable levies, shipments to Japan were climbing to a record 6.5 million metric tons. That is over 2 million tons more than we shipped to the entire EC.

I think the message in these two factors is clear: given the customers, and given access to a competitive market, the efficient American farmer can compete with all comers in the markets of the world.

(Continued on page 12)

How EC grain policy affects the U.S. Feedgrain Market in the Netherlands

By BRICE K. MEEKER
U.S. Agricultural Attaché, the Hague

When the European Community (EC) implemented its common agricultural policy (CAP) for grains in 1962, two forces were set in motion that have substantially influenced the volume of U.S. feedgrains imported by the Netherlands.

An almost immediate effect was a trend toward a declining proportion of grain in mixed feeds and its replacement by a large number of nongrain feed components and grain by-products that did not fall under the variable levy system or did not carry the full weight of the levy.

A longer run effect of the grain CAP, which began to affect U.S. feedgrain exports to the Netherlands in 1967-68 and which had a substantial impact on U.S. feedgrain exports in 1968-69, was a steady increase in European grain production—a situation that has had repercussions throughout the grain-trading world.

Decline of grain in mixed feeds

The speed with which relatively high-priced grains were displaced by other ingredients in the Netherlands feed industry after the adoption of the CAP was accentuated by the increased use of computer technology to produce "least cost" livestock rations. From a 1959-62 average of 66.1 percent, the proportion of grain used in total mixed feeds in the Nether-

lands dropped to 34.8 percent in the 1968-69 marketing year.

This radical decline drastically reduced potential total grain utilization and, to the extent that the United States shared in supplying imported grains, reduced U.S. grain sales to the Netherlands. However, the decline was compensated to a degree by two factors. First, the total production of mixed feeds was growing strongly. Second, the United States increased its sale of other feed components.

The first of these points is illustrated in the chart showing total Netherlands mixed feed production, the amount of grain used in feed manufacture, and the quantity of nongrain feed components utilized.

Note in a second chart that the absolute volume of U.S. grain exports to the Netherlands remained fairly stable during most of the post-CAP period. Then in 1968-69 came a drop far steeper than the decline in Dutch feedgrain usage would have indicated. This drop will be analyzed further, but first a word about one encouraging side of the picture.

A substantial part of the ingredients used to replace grain in Dutch mixed feed formulas has been imported from the United States. The growth in this sector of U.S. exports has provided a valuable offset to the lack of growth, and eventually decline, in grain exports.

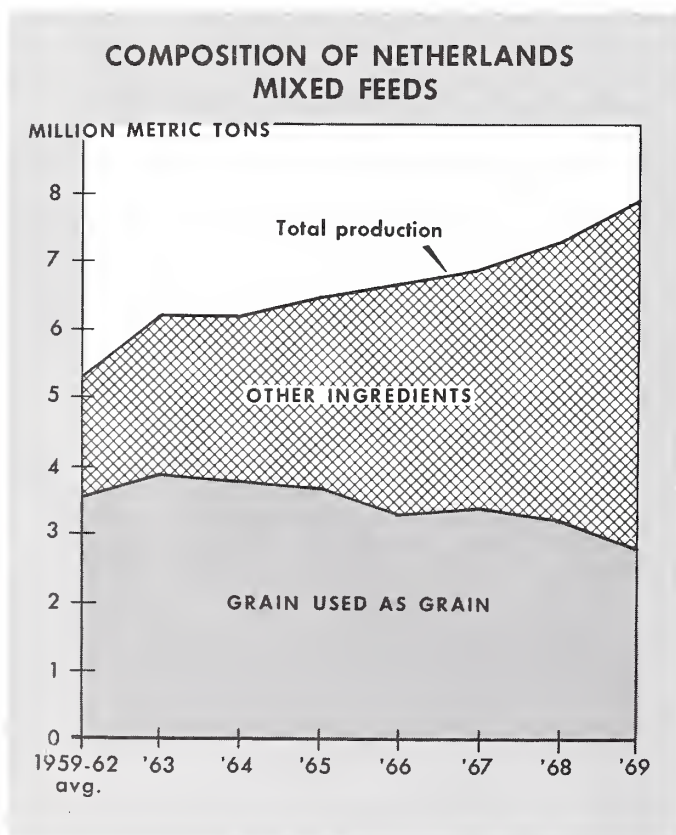
To arrive at an approximation of this offset, a list of 15 feed ingredients used in the Netherlands was analyzed. The ingredients were feed peas, manioc and other roots, alfalfa meal, fishmeal, residues of corn, residues of other cereals, dried beet pulp, corn gluten meal, brewery waste, linseed cake, soybean meal, sunflowerseed cake, nonfat dried milk, molasses, and cottonseed cake. The results are shown in the accompanying chart. Note that imports from the United States of the 15 ingredients have increased since the 1959-62 average by somewhat more than 800,000 metric tons. This is almost as great as the 1968-69 drop of 900,000 tons in imports of U.S. feedgrains.

In addition, a certain proportion of the expansion in U.S. soybean exports to the Netherlands can be regarded as an offset to lost grain sales, since much of the meal produced from these beans by Dutch crushers goes to the domestic feed industry. Additional offsets must be credited to increased use of fats of U.S. origin in mixed feeds, flaxseed, and soybeans.

Taking all this into consideration, an estimate was prepared of the apparent gains or losses to U.S. agricultural exports as a result of reduced grain and increased nongrain use in Dutch mixed feeds stemming from high CAP grain prices. This estimate is shown in the following tabulation:

Gains and losses in millions of U.S. dollars

1962-63	- 1.8
1963-64	- .3
1964-65	+ 1.6
1965-66	-10.6
1966-67	- 6.3
1967-68	- 4.0
1968-69	+ 9.1



This would indicate that looking at U.S. agriculture as a whole, losses from the reduced percentage of grain in Dutch mixed feeds have been somewhat offset by increased sales of other feed components. One must look further for the real key to the major blow dealt U.S. farmers by the grain CAP.

The second of the two major effects of the grain CAP that were mentioned earlier is the steady rise in West European grain production.

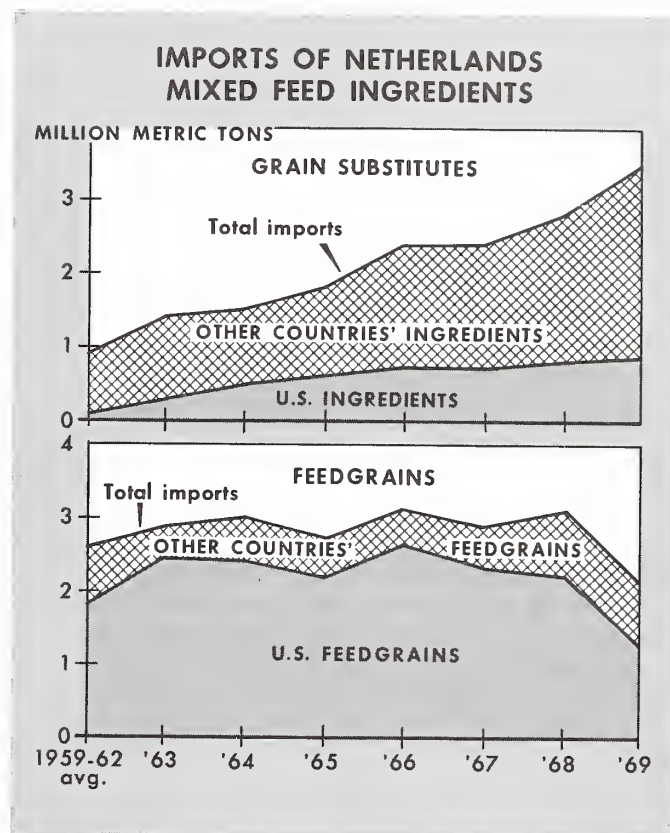
Growth of EC grain production

Pre-CAP, all the EC member nations had national price support plans of one sort or another. When these plans were unified, the grain-price support level, for political reasons, tended to move toward the upper end of the array of national price support levels. In practical terms, this meant production increase incentives for France's grain growers. And, since France is the largest grain producer in the Community and had the greatest potential for supply expansion, the effect of the incentive support prices has been a large increase in European grain production and carryover (see table).

The consumption of wheat for food within the EC has been relatively static, with declining per capita consumption just about offsetting population growth. This has meant that increased grain production has either: (a) gone into livestock feeding (displacing grain that would otherwise have been imported); (b) been exported from the EC under heavy subsidization (competing with exports of traditional exporting countries); or (c) gone into stocks, the bulk of which must in the end be either utilized for feed or exported.

In practice, increased EC grain production has been channeled into all three of the above alternatives; but despite increased feeding and increased exports, the growth in stocks was large in 1967-68 and 1968-69. However, there has apparently been a considerable liquidation of these stocks during 1969-70. The economic burden of disposing of these excessive carryovers, particularly those of soft wheats which have had to be denatured for feed usage or subsidized into export, has been considerable.

While, for the EC as a whole, the increase in the flow of domestically produced cereals into feed usage has been substantial, it was not an important factor in reducing imports of U.S. feedgrains into the Netherlands until 1968-69. The U.S. share of the Dutch feedgrain market dropped from a high of more than 80 percent in 1965-66 to less than 60 percent in 1968-69. When wheat is included, the U.S. share dropped from



75 percent to 47 percent over the same period. Meanwhile, the EC share skyrocketed, with France accounting for most of it.

This development is far more damaging to U.S. export interests than the substitution phenomenon that was previously examined. As other ingredients displaced grains in compounded feeds, there was a parallel creation of export opportunities in feed components. As EC grain displaces U.S. grain in Dutch compounded feeds, the loss is total and absolute.

What of the future?

The CAP has proven to be inordinately expensive to the EC and changes in parity values of the franc and the mark have added severe strains to the mechanism by which the CAP is operated. It is not at all clear what solutions will be adopted by the Commission and the member states.

However, in regard to the Netherlands livestock and feed industry, a few general principles are clear and suffice to give a short-run view of future developments. The major considerations are these:

- The Netherlands is the most efficient livestock producer within the Community.
- It is assured of export markets for a substantial proportion of its livestock production barring a breakdown in the fundamental element of the CAP system.
- The substitution of other feed components for grain in compounding livestock rations has been carried just about as far as is technically and economically feasible.
- Grain production within Europe may further increase and, while production controls may eventually be instituted, there appears little probability of a significant decrease in grain output.
- When there is a heavy carryover of EC grains, eventual

EUROPEAN COMMUNITY GRAIN PRODUCTION AND CARRYOVER

Year	Production			Carry-over
	Wheat	Other cereals	Total	
	Mil. metric tons	Mil. metric tons	Mil. metric tons	Mil. metric tons
1958-59/1961-62 average	24.3	27.0	51.3	10.9
1962-63	29.5	28.3	57.8	13.2
1963-64	24.4	32.3	56.7	11.8
1964-65	29.2	30.2	59.4	10.3
1965-66	30.4	29.8	60.2	11.7
1966-67	26.3	31.7	58.0	10.2
1967-68	31.2	37.0	68.2	14.2
1968-69 ¹	32.3	37.4	69.7	16.8
1969-70 ¹	31.5	38.2	69.7	13.8

¹ Preliminary.

use for feed is the most practical outlet for its utilization.

From these generalizations one would anticipate:

- Continued expansion of the Dutch livestock industry and demand for feeds. Growth rates may be somewhat lower than those of the past decade, which were quite high, but even this is by no means certain. Significant growth appears most probable.

- Unless special actions are taken by the Community, the United States will continue to share in the growth of the nongrain ingredients that go into Dutch feeds.

- EC-produced grains will continue to place pressure on U.S. feedgrain sales to the Netherlands. However, growth in

total feed output and, perhaps, a moderate movement back to a higher proportion of grains in feed compounding (as compared with the very low ratio of 1968-69) may permit a stabilization rather than a further decline in U.S. exports of feedgrains to the Netherlands.

In other words, what these considerations add up to is an unfavorable, but by no means disastrous, future for U.S. feed component exports to the Netherlands. The United States may not do as well as it would like, and it probably will not obtain an adequate share of the growth of the output of the Dutch feed industry. But the Netherlands will remain an important and substantial market for U.S. agriculture.

Turkish Tobacco: Some New Sales Twists and Turns

Overstocked tobacco warehouses, sluggish foreign sales, and a scarcity of foreign exchange have prompted the Turkish Government to take a number of steps to move its tobacco stocks into overseas markets. Devaluation of the Turkish currency is the most recent and most drastic approach. Tobacco is Turkey's second-ranking agricultural export, and slow sales are a hindrance to the country's economy.

The agency through which the Government has made its moves (except devaluation) is the Turkish Tobacco Monopoly, which has recently been in a difficult position. Turkish tobacco production has exceeded export and domestic demand for several years, and the Monopoly is required to purchase offerings that do not achieve a certain minimum sales price in free auctions. As of June 1970 the Monopoly held about 180,000 metric tons of tobacco worth \$277 million at the exchange rates then in force. Not only was this tobacco not earning foreign exchange by sales, but handling it cost about \$50,000 per day.

In the past one method of disposing of tobacco was in bilateral trade agreements with East European countries. Tobacco was exchanged for various goods. However, according to Turkish merchants, most of the tobacco sent to these countries was re-exported to Western countries, where it competed with tobacco sold directly from Turkey.

Early this summer the Monopoly tried a new approach. It sold 10,000 tons of old tobacco (chiefly from the 1965, 1966, and 1967 crops) to a European company at a discount price in exchange for cash to buy machinery for the new Maltepe Cigarette Plant in Istanbul. The Government had been under pressure for some time to provide machinery for making filter cigarettes—which are in demand in Turkey—but had been unable to allocate the dollars to purchase the equipment. Manufacturing filter cigarettes would help to use some of Turkey's surplus tobacco stocks.

Private Turkish tobacco merchants were far from pleased. They claimed that the discount tobacco would also end up with their traditional customers, who would then decrease purchases from Turkey next year. The merchants' dissatisfaction was voiced before the Turkish Senate by an opposition senator. Soon after the discount transaction reports occurred of resale to American, German, Japanese, and South Korean cigarette companies.

In another effort to reduce its stocks, the Monopoly bartered tobacco worth about \$2 million to an American cigarette firm in return for aluminum foil for the Turkish cigarette industry.

All these moves, however, still left the Monopoly with huge

tobacco stocks and nowhere to store the 1970 tobacco crop.

Then, in early August, the Government decided to devalue the Turkish lira by 40 percent. The devaluation was not for the sole purpose of selling tobacco, but the tobacco situation was a major consideration. Purchasers with hard currency now have what is effectively a 40-percent discount on Turkish tobacco in comparison with predevaluation prices.

Devaluation, discount sales, and barter will all help temporarily to disperse Turkish tobacco stocks. But they will not greatly increase overall sales. Brands of cigarettes containing Turkish tobacco are limited in number, and the blends of these and other brands cannot be changed rapidly to include more Turkish tobacco without customer dissatisfaction. The problem of Turkish overstocks of tobacco cannot really be solved unless Turkish production is reduced to align with domestic requirements plus export potential. And production is unlikely to fall substantially unless farmers' prices—Monopoly purchase prices—are reduced. This spring it was announced that Monopoly minimum prices for tobaccos had been revised upward.

—Based on dispatch from HARRY R. VARNEY
U.S. Agricultural Attaché, Ankara

Sierra Leone: Top Farm Exports Drop

Exports of Sierra Leone's two leading agricultural money earners declined in 1969, while those of the third most important commodity increased. Ranking first and second in terms of export value were palm kernels and coffee; 1969 exports of both of these dropped under the previous year's values. Exports of Sierra Leone's third-ranking agricultural crop—cocoa—increased. Ginger, which ranks third to sixth among exports (depending on the value of kola nuts and piassava exported during 1969), also dropped.

Exports of palm kernels totaled 50,800 long tons during 1969. This is approximately 2,500 tons less than in 1968. The Netherlands is traditionally the largest buyer of Sierra Leone's palm kernels, followed by Britain and West Germany.

Coffee exports declined from 6,300 long tons in 1968 to 5,900 tons in 1969. Sierra Leone's only coffee markets in recent years have been the United States and the United Kingdom. The United States bought 4,300 tons in 1969.

The Netherlands and the United Kingdom, normally the largest buyers of Sierra Leone's cocoa in past years, were the only buyers in 1969. During 1969 exports of cocoa totaled 4,300 long tons. Reliable figures for 1968 are not available, but, according to trade sources, they were 3,850 tons.

Japanese Baking Industry Executives Study Technology And Management at Jointly Sponsored Chicago Seminar

Japan's booming bakery industry should experience an even greater upsurge in the near future when 25 Japanese bakery executives implement the knowledge they acquired at a special 4-week seminar held in Chicago in July.

Japan, like most Asian countries, does not have a long tradition of baking. Although bread and some Western bakery goods were introduced by the Portuguese into Japan in 1543, the country's long period of foreign exclusion limited consumption to the few foreign communities in Japan. It wasn't until 1869 that Japan's first commercial bakery was established, and the bulk of the growth of the Japanese baking industry has taken place since the end of World War II, particu-

larly during the last 10 or 12 years.

In the past 25 years per capita use of wheat foods in Japan has risen from 52 pounds to 72 pounds, and at the present time 32 percent of wheat flour is consumed in the form of bread products and 13 percent in other bakery products.

However, the rapid expansion in the use of wheat products has recently slowed down. Until 3 years ago wheat flour consumption was increasing at a rate of 4 or 5 percent a year. Now the rate of growth is around 2 percent a year.

The reason for this decline can be called a "knowledge gap" in the baking industry itself. Although physical plants are expanding rapidly, the foundations of the industry are weak. Because the

industry is still in its infancy there is a limited reservoir of baking knowledge from which bakers can draw for developing new products, planning plant expansion, and setting up efficient merchandising systems.

Japanese bakery executives are well aware of these difficulties and are eager to strengthen their industry.

With these problems in mind, Japanese and U.S. bakery industry officials jointly worked out the curriculum for the Chicago seminar, which was sponsored by Western Wheat Associates, USA, an export promotion organization of U.S. wheat growers. Also cooperating in the project were Japan's three leading baker's association, plus The American Institute of Baking, W. E. Long Company, Great Plains Wheat, Inc., and USDA.

The seminars were divided into technology and management sessions. The executives were introduced to U.S. production methods and studied such topics as conventional and continuous mix production, process methods, engineering, and types of equipment. The preparation of two different kinds of wheat products were emphasized—those sold as ready-to-eat items and those available in semi-prepared form for finishing at home.

Although 28 percent of the homes in Japan's six largest cities now have ovens, they are not utilized to a great extent because there are too few items available that can be prepared in the oven. There is a great scarcity of refrigerated dough products and also packaged mixes. The knowledge gained at the baking seminar will be instrumental in developing, introducing, and merchandising these new products in Japan.

The seminar is expected to have a far-reaching effect on the industry itself and consequently on the consumption level of wheat-based bakery products. Although there are over 6,000 bakeries in Japan, a mere 87 firms account for one-third of the bakery business, and 25 of these firms were represented at the seminars. Each of the 25 executives will conduct in-plant seminars for personnel of his own company. In addition, the executives will carry on 2-day seminars in nine different areas of Japan for the benefit of the rest of the industry. The objective is to reach a minimum of 3,650 bakery owners and technical executives.



Distribution (below), plant management (right), and new products (above), were some of the topics studied at the seminar for Japanese bakers.



CROPS AND MARKETS SHORTS

Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	August 12	Change from	A year
		previous week	ago
	<i>Dol.</i>	<i>Cents</i>	<i>Dol.</i>
	<i>per bu.</i>	<i>per bu.</i>	<i>per bu.</i>
Wheat:			
Canadian No. 2 Manitoba	1.97	+1	1.90
USSR SKS-14	(¹)	(¹)	1.82
Australian Prime Hard	(¹)	(¹)	1.86
U.S. No. 2 Dark Northern			
Spring:			
14 percent	1.93	+2	1.83
15 percent	1.97	+1	1.87
U.S. No. 2 Hard Winter:			
13.5 percent	1.84	+1	1.82
Argentine	(¹)	(¹)	(¹)
U.S. No. 2 Soft Red Winter ..	1.72	+1	1.65
Feedgrains:			
U.S. No. 3 Yellow corn	1.71	+4	1.47
Argentine Plate corn	1.79	+3	1.67
U.S. No. 2 sorghum	1.55	+5	1.36
Argentine-Granifero	1.57	+3	1.38
Soybeans:			
U.S. No. 2 Yellow	3.24	+5	2.92

¹ Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

U.S. Meat Imports in June

U.S. meat imports subject to the Meat Import Law during June 1970 totaled 92.8 million pounds. This quantity was 8.3 percent greater than the June 1969 quantity of 85.7 million pounds. Imports for the January-June period this year, at 580.7 million pounds, are 19.8 percent above the 484.7 million pounds that were imported by the United States in the January-June period a year earlier.

Larger imports from Australia, Canada, Ireland, Mexico,

U.S. IMPORTS SUBJECT TO MEAT IMPORT LAW [P.L. 88-482]

Imports	June	January-June
	<i>Million pounds</i>	<i>Million pounds</i>
1970:		
Subject to Meat Import Law ¹	92.8	580.7
Total beef and veal ²	101.9	642.8
Total red meat ³	145.3	888.5
1969:		
Subject to Meat Import Law ¹	85.7	484.7
Total beef and veal ²	100.4	541.3
Total red meat ³	136.1	758.5
1968:		
Subject to Meat Import Law ¹	105.1	457.0
Total beef and veal ²	105.8	500.0
Total red meat ³	147.8	724.3

¹ Fresh, chilled, and frozen beef, veal, mutton, and goat meat.

² All forms, including canned and preserved. ³ Total beef, veal, pork, lamb, mutton, and goat.

Panama, the Dominican Republic, and Haiti more than offset the smaller entries for consumption from New Zealand, Costa Rica, Nicaragua, Guatemala, Honduras, and the United Kingdom (Northern Ireland). Imports from the largest supplier—Australia—totaled 56.8 million pounds, followed by New Zealand with 9.9 million, Mexico and Canada each with 6.8 million, and Ireland with 3.8 million.

U.S. IMPORTS SUBJECT TO MEAT IMPORT LAW ¹ BY COUNTRY

Country of origin	June		January-June ²		Change from 1969	
	1969	1970	1969	1970	June	Jan.-June
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>Per-cent</i>	<i>Per-cent</i>
Australia	36,863	56,780	218,693	279,982	+54.0	+28.0
New Zealand ..	25,511	9,940	108,964	89,286	-61.0	-18.1
Mexico	4,845	6,817	34,693	49,460	+40.7	+42.6
Canada	2,822	6,821	19,322	39,931	+141.7	+106.7
Ireland	2,242	3,796	25,899	33,888	+69.3	+30.8
Costa Rica	5,680	2,087	21,138	24,912	-63.3	+17.9
Nicaragua	3,628	2,792	21,346	23,315	-23.0	+9.2
Guatemala	1,778	1,717	12,613	15,509	-3.4	+23.0
Honduras	1,562	974	10,845	13,736	-37.6	+26.7
Panama	37	321	2,190	4,121	+767.6	+88.2
Dominican Republic	442	691	6,114	4,071	+56.3	-33.4
United Kingdom	286	—	2,184	1,857	—	-15.0
Haiti	40	77	654	625	+92.5	-4.4
Total	85,736	92,813	484,655	580,693	+8.3	+19.8

¹ Fresh, frozen, and chilled beef, veal, mutton, and goat meat. Excludes canned beef and other prepared or preserved beef products. ² Data shown include rejections. During January-June 1970 rejections totaled 8.5 million pounds compared with 5.4 million for the same period in 1969.

ISC Distributes Sugar Shortfalls

On July 19, the International Sugar Council distributed 125,000 metric tons of sugar shortfalls. This allocation was drawn from the 492,000 tons of sugar which was declared as shortfalls in respect to International Sugar Agreement export quotas for 1970.

This action by the Council followed the rise of sugar prices on the world market and implemented a recent decision of the Council to redistribute shortfalls if the prevailing price exceeded 3.75 cents per pound and if the daily price was above 3.85 cents. Sugar prices met these conditions on July 16.

These shortfalls were due to the inability of some members of the International Sugar Agreement to fulfill their 1970 export quotas. The Agreement's export quotas for 1970 are at 90 percent of basic export tonnage, 6.6 million tons; but, with the still unallocated shortfalls of 367,000 tons, the actual quotas in effect amount to about 6.2 million tons. The larger allocations were given to Cuba, 46,666 tons; Australia, 23,876 tons; South Africa, 13,566 tons; Brazil, 10,853 tons; Poland, 8,031 tons; and the remainder to 11 other countries.

U.S. Flue-Cured, Burley Exports

Exports of U.S. unmanufactured flue-cured tobacco in fiscal 1970 were 414.1 million pounds, representing a further decline from 417.7 million pounds a year ago and 427.4 million pounds in 1967-68. Smaller shipments were made to West Germany, the Netherlands, Belgium-Luxembourg, Thailand, and South Vietnam, but larger shipments went to the major markets of the United Kingdom and Japan. Other markets receiving larger quantities were Australia, Denmark, Italy, and Taiwan.

Burley exports continued to increase and reached a total of 52.6 million pounds, compared with 47.7 million pounds a year ago and 38.0 million pounds in 1967-68. Increased quantities were shipped mostly to West Germany, Italy, and, in addition, Denmark.

U.S. EXPORTS OF FLUE-CURED AND BURLEY TOBACCO ¹ [Export weight]

Destination	Flue-cured		Burley	
	1969	1970 ²	1969	1970 ²
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
United Kingdom	96.6	111.3	(³)	.1
Germany, West	90.0	67.8	11.4	13.4
Japan	31.1	39.1	(³)	—
Thailand	20.7	18.0	5.8	3.8
Netherlands	24.0	17.9	2.3	.9
Australia	14.8	16.5	.6	.4
Denmark	11.6	13.7	2.9	3.8
Switzerland	11.8	11.9	4.2	4.8
Italy	4.7	11.5	2.5	7.8
Taiwan	6.9	10.5	.3	—
Ireland	11.1	10.2	—	—
Belgium-Luxembourg	13.5	9.9	2.0	.8
Sweden	6.9	6.9	3.2	2.4
Malaysia	6.9	6.9	—	—
South Vietnam	11.5	5.9	—	—
Norway	3.2	5.4	.6	.8
Philippines	5.9	5.3	2.9	4.3
Austria	1.2	4.7	.3	.5
Hong Kong	3.4	3.2	1.1	.9
Spain	4.2	3.0	.2	—
New Zealand	3.7	3.0	(³)	(³)
France	3.5	2.9	1.0	1.1
Finland	3.6	2.6	1.1	1.1
Libya	1.1	2.5	(³)	(³)
Egypt9	2.2	—	.2
Other	24.9	21.3	5.3	5.5
Total	417.7	414.1	47.7	52.6
	<i>Mil. dol.</i>	<i>Mil. dol.</i>	<i>Mil. dol.</i>	<i>Mil. dol.</i>
Value	409.8	441.6	45.4	52.4

¹ Fiscal year. ² Preliminary; subject to revision. ³ Less than 50,000 lb. Bureau of the Census.

U.S. Tobacco Imports for June

U.S. imports of unmanufactured tobacco for consumption were 17.8 million pounds during June 1970, down about 13 percent from the 20.5 million pounds in June 1969. The declared value of \$10.9 million was also off from the \$12.2 million in the same month a year ago.

Cumulative imports for the 6-month period January-June 1970 remained steady at 105.8 million pounds, about the same as in the same period a year ago. The declared value of \$64.1 million was also about equal to that of the first 6 months of 1969—\$62.4 million.

U.S. IMPORTS OF UNMANUFACTURED TOBACCO [For consumption]

Period and kind	1969		1970	
	Quantity	Value	Quantity	Value
	<i>1,000 pounds</i>	<i>1,000 dollars</i>	<i>1,000 pounds</i>	<i>1,000 dollars</i>
January-June:				
Cigarette leaf (flue & burley)	3,243	1,159	2,453	853
Cigarette leaf, other	71,239	48,487	69,203	46,825
Cigar wrapper	172	597	305	1,417
Mixed filler & wrapper	171	924	146	606
Cigar filler, unstemmed	1,232	1,012	1,116	1,094
Cigar filler, stemmed	1,276	1,705	1,511	1,977
Scrap	27,432	10,244	31,008	11,292
Stems	711	45	71	3
Total	105,476	64,173	105,813	64,067
June:				
Cigarette leaf (flue & burley)	1,932	671	65	14
Cigarette leaf, other	13,219	8,900	11,925	8,292
Cigar wrapper	30	92	26	84
Mixed filler & wrapper	12	53	19	94
Cigar filler, unstemmed	74	140	135	158
Cigar filler, stemmed	257	369	246	319
Scrap	4,900	1,935	5,360	1,917
Stems	42	2	0	0
Total	20,466	12,162	17,776	10,878

Bureau of the Census.

Larger Spanish Almond Crop

The 1970 Spanish almond harvest is forecast at 35,000 short tons (kernel weight basis), 46 percent above last year's poor harvest. Anticipation of abundant domestic and foreign supplies in the near future has contributed to a very slow market. Current quotations on remaining 1969 Spanish stocks are 3 to 7 percent below May price levels.

SPANISH ALMOND SUPPLY AND DISTRIBUTION

Item	Average			
	1963-67	1967-68	1968-69	1969-70
	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>
Beginning stocks (Sept. 1)	1.6	2.0	2.0	4.0
Production	33.4	30.0	41.0	28.0
Total supply	35.0	32.0	43.0	35.0
Exports	26.2	23.8	29.0	10.5
Domestic disappearance	7.0	6.2	10.0	13.5
Ending stocks (Aug. 31)	1.8	2.0	4.0	4.0
Total distribution	35.0	32.0	43.0	28.0

Crops and Markets Index

Fruits, Nuts, and Vegetables

11 Larger Spanish Almond Crop

Grains, Feeds, Pulses, and Seeds

10 Weekly Rotterdam Grain Price Report

Livestock and Meat Products

10 U.S. Meat Imports in June

Sugar, Fibers, and Tropical Products

10 ISC Distributes Sugar Shortfalls

Tobacco

11 U.S. Flue-Cured, Burley Exports

11 U.S. Tobacco Imports for June



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Foreign Agriculture

(Continued from page 5)

Factors in Further Farm Export Gains

Soybeans and livestock

Soybeans also show well what liberal trade policies can mean to U.S. agriculture. In addition, they illustrate the impact of our own farm policies on our position in world trade.

Soybeans and meal were shipped overseas in record quantities in fiscal 1970. Shipments of beans, as beans, totaled 405 million bushels—far beyond our most optimistic expectations and the largest percentage gain since production of this crop was begun in the United States. Total exports of soybeans and products exceeded \$1.5 billion. The major factors were access and price.

Soybeans and meal have guaranteed duty-free access to the Community and some other European markets, and good access to several more, including Japan and the United Kingdom.

Here at home, Secretary Hardin moved last year to bring support prices for the 1969 soybean crop more in line with world competition. This was an unpopular move in some quarters, but I would be surprised if the subsequent record in soybeans has not changed a good many minds.

The reduction in the loan rate removed an artificial price protection enjoyed by competing oils, meals, and protein feeds; it stimulated the use of soybean products and discouraged production of competing items. The result was a record export year, and soybeans remain the No. 1 agricultural earner of export dollars.

While soybeans are a valuable source of vegetable oil for use as human food, much of our soybean exports go into livestock feeding. And this area—livestock production—offers a promising potential for American agricultural exports.

The world demand for poultry and livestock products is increasing as incomes continue upward. When people can pay for more and better food, they turn to poultry and livestock products, especially beef, for more protein.

Per capita consumption of beef and veal in our own country was 114.1 pounds in 1969—a gain of 25 percent since 1960. To accommodate that increased demand, the amount of grain fed to cattle on feed rose from 12 million metric tons in 1960 to 29 million tons in 1969—well beyond double.

Set these figures alongside per capita beef consumption in the European Community of 52 pounds and the United Kingdom of 56 pounds and you get an idea of the feedgrain

consumption potential in Europe in terms of beef alone, if the expansion potential for beef were realized.

The story is similar in consumption of all meat, including poultry. The average American consumed 228 pounds of meat and poultry last year—100 pounds more than his EC counterpart and about 203 pounds more than the Japanese.

It is evident to me that the development of modern, efficient livestock and poultry production operations will be necessary to meet the tremendous world demand potential for meat.

And this development offers the prospect of long-term solid growth in the market for feedgrains and meals. It is a market that offers great opportunity for the United States, which has a magnificent capacity to produce feedstuffs efficiently.

So there is exciting opportunity in our foreign agricultural trade, but it exists alongside some very serious problems.

The basic question—for us and for all trading nations—is what kind of a trading world do we want? The answer for American agriculture is clear. We want a world of orderly trade, based on comparative advantage, where commodities move basically on price and merit to the benefit of efficient producers and of consumers as well.

(Continued from page 4)

Dollar Farm Exports Hit Record High

the top market, exceeded 131 million pounds in 1969-70, up from 125 million pounds in 1968-69. Also taking more were Japan, Italy, Denmark, Sweden, Australia, Switzerland, and Taiwan. Virtually all U.S. tobacco exports were commercial sales for dollars, with only about 2 percent moving under government-financed programs in 1969-70. However, barter shipments were about two-fifths of the total. In 1969-70, flue-cured tobacco accounted for around three-fourths of the total.

U.S. exports of *vegetables and vegetable preparations* in 1969-70 totaled \$209 million, up from \$186 million the previous year. Larger exports of pulses, canned tomatoes, and fresh vegetables accounted for the gain.

Dried bean exports advanced to 421 million pounds in 1969-70 from 286 million in 1968-69. The improved U.S. crop and attractive prices encouraged the high level of exports. Principal export markets for dried beans were the United Kingdom, Japan, Venezuela, Mexico, France, the Netherlands, Spain, and the Dominican Republic.